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DEPARTMENT OF STATE

AIRGRAM

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COPY NO. / SERIES A

FROM : Amembassy JIDDA

DATE: November 21, 1963

SUBJECT : Joint Weeka No. 46

REF :

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REVIEWED BY *J. B. ...* DATE *10/14/64*

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Drafted by:

RWMurphy/MDraper/CEMarthinsen:lf 11-19-63

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Contents and Classification Approved by: *R. ...*

POLITICAL/ECONOMIC

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2. New Budget. Largest state budget in Saudi Arabian history announced. Saudi budget for Hijra year commencing November 17 was announced by royal decree signed by the King. Continuing last year's trend, the Royal Family allotment was cut 8 percent to 183 million riyals (40.7 million dollars). However, this was the only significant reduction in what is largest budget in SAG history. Budget revenues and expenditures are balanced at 2,636 million riyals (596.8 million dollars), a 9.5 percent increase over the previous year. Revenues from Aramco and Tapline increased by a fifth, thus offsetting static returns from Getty Oil Company and unexplained 52 percent drop in estimated receipts from the Arabian Oil Company (Japanese). The oil sector, however, was responsible for 85 percent of total government revenues.

In spite of noteworthy increases in allocations for education, health, water and agricultural development, communications, etc., the portion of the budget devoted to economic development and welfare purposes hovered at about 45 percent, approximately the same level as in last year's budget. Funds for girls' education, incidentally, were doubled, with secular education receiving 10 percent share of the budget for the first time. Military spending increased by 13 percent, with the greatest proportionate advance going to the irregular bedouin army known as the National Guard. Total military spending amounted to 464 million riyals (103 million dollars). (UNCLASSIFIED)

Comment: The budget as announced did not include the sizeable revenues pouring into the so-called development fund which by law can only be used for "development" purposes. The total, mostly from the Aramco-Tapline and Japanese Oil Company settlements now exceeds 130 million dollars. (CONFIDENTIAL)

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3. OPEC Conference Postponed. OPEC Conference scheduled to reconvene in Riyadh November 23 has been postponed one month, to permit certain member governments, in particular Iran and Saudi Arabia, to review proposals of owner companies for revenue increases. Petroleum Minister Zaki Yamani is leaving November 20 to consult with OPEC Secretary General Rouhani in Tehran, presumably to work out a common Iranian-Saudi position vis-a-vis the oil companies. Yamani reportedly had rejected Aramco offer, which was modeled on that presented to Iranian consortium. (CONFIDENTIAL)

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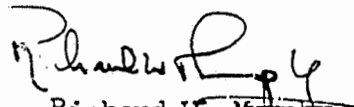
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For the Ambassador:


Richard W. Murphy
Second Secretary of Embassy

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